

**CITY OF MILFORD**

**INDEPENDENT AUDITORS' REPORTS**  
**PRIMARY GOVERNMENT**  
**BASIC FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS**

**JUNE 30, 2010**

## TABLE OF CONTENTS

	<u>Page</u>
Officials .....	1
Independent Auditors' Report .....	2 - 3
Basic Financial Statements:	
	<u>Exhibit</u>
Government-wide Financial Statement:	
Statement of Activities and Net Assets - Cash Basis .....	A      4 - 5
Governmental Fund Financial Statement:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances .....	B      6 - 7
Proprietary Fund Financial Statement:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances .....	C      8
Fiduciary Fund Financial Statement:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balance .....	D      9
Notes to Financial Statements .....	10 - 17
Required Supplementary Information:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds .....	18 - 19
Notes to Required Supplementary Information - Budgetary Reporting	20
Other Supplementary Information:	
	<u>Schedule</u>
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds .....	1      21
Schedule of Indebtedness .....	2      22 - 23
General Obligation Bond Maturities .....	3      24 - 25
Schedule of Receipts by Source and Disbursements by Function - All Governmental Funds .....	4      26 - 27
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards .....	28 - 29
Schedule of Findings .....	30 - 33

CITY OF MILFORD  
OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
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**(Before January 2010)**

Virgil Wahlman	Mayor	January 1, 2010
Donald Lamb	Mayor Pro-Tem	January 1, 2010
Michael Anderson	Council Member	January 1, 2010
Keith Feller	Council Member	January 1, 2010
Rick Kilts	Council Member	January 1, 2012
Todd Schillinger	Council Member	January 1, 2012
Bryan Read	City Administrator/Treasurer	Indefinite
David Stein, Sr.	Attorney	Indefinite

**(After January 2010)**

Donald Lamb	Mayor	January 1, 2012
Michael Anderson	Mayor Pro-Tem	January 1, 2014
Keith Feller	Council Member	January 1, 2014
Chris Hinshaw	Council Member	January 1, 2014
Rick Kilts	Council Member	January 1, 2012
Todd Schillinger	Council Member	January 1, 2012
Matthew Skaret	City Administrator/Treasurer	Indefinite
David Stein, Sr.	Attorney	Indefinite

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*Certified Public Accountants*

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Milford, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the basic financial statements of the City's primary government as listed in the table of contents. These financial statements are the responsibility of City of Milford's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

The financial statements referred to above include only the primary government of the City of Milford, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the City's legal entity. The financial statements do not include financial data for the City's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the City's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position - cash basis of the reporting entity of the City of Milford as of June 30, 2010, and the changes in its financial position - cash basis for the year then ended in conformity with the basis of accounting described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information for the primary government of the City of Milford as of June 30, 2010, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2010 on our consideration of The City of Milford's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Budgetary comparison information on pages 18 through 20 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

The City has not presented management's discussion and analysis which introduces the basic financial statements by presenting certain financial information as well as management's analytical insight on that information that the Government Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the City's primary government. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements of the City's primary government for the nine years ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Winther, Stave & Co., LLP*

November 10, 2010

## BASIC FINANCIAL STATEMENTS

CITY OF MILFORD  
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010

		Program Receipts		
	<u>Disbursements</u>	<u>Charges for Service</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
FUNCTIONS/PROGRAMS:				
Governmental activities:				
Public safety .....	\$ 505,149	\$ 32,922	\$198,280	
Public works .....	370,621	3,653	243,167	
Health and social services .....	5,000			
Culture and recreation .....	370,900	2,927	31,262	
Community and economic development .....	26,426	22,783		
General government .....	344,955			
Debt service .....	369,947			
Capital projects .....	<u>3,501,427</u>			
Total governmental activities	<u>5,494,425</u>	<u>62,285</u>	<u>472,709</u>	
Business type activities:				
Solid waste .....	245,674	261,613		
Sewer .....	<u>95,489</u>	<u>104,807</u>		
Total business type activities	<u>341,163</u>	<u>366,420</u>		
TOTAL	<u>\$5,835,588</u>	<u>\$428,705</u>	<u>\$472,709</u>	

**GENERAL RECEIPTS:**

Property and other city taxes levied for:	
General purposes .....	
Debt service .....	
Local option sales tax .....	
Unrestricted interest on investments .....	
Bond proceeds .....	
Miscellaneous .....	
Total general receipts	

Change in cash basis net assets .....

Cash basis net assets beginning of year

Cash basis net assets end of year

**CASH BASIS NET ASSETS**

Restricted, expendable:	
TIF supported projects .....	
Debt service .....	
Streets .....	
Other purposes .....	
Unrestricted .....	

**TOTAL CASH BASIS NET ASSETS**

# Exhibit A

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
\$ (273,947)		\$ (273,947)
(123,801)		(123,801)
(5,000)		(5,000)
(336,711)		(336,711)
(3,643)		(3,643)
(344,955)		(344,955)
(369,947)		(369,947)
<u>(3,501,427)</u>		<u>(3,501,427)</u>
<u>(4,959,431)</u>		<u>(4,959,431)</u>
	\$15,939	15,939
	9,318	9,318
	<u>25,257</u>	<u>25,257</u>
<u>(4,959,431)</u>	<u>25,257</u>	<u>(4,934,174)</u>
1,055,474		1,055,474
305,231		305,231
364,434		364,434
11,381	89	11,470
2,250,000		2,250,000
67,360	13,195	80,555
<u>4,053,880</u>	<u>13,284</u>	<u>4,067,164</u>
(905,551)	38,541	(867,010)
<u>3,745,987</u>	<u>50,621</u>	<u>3,796,608</u>
<u>\$2,840,436</u>	<u>\$89,162</u>	<u>\$2,929,598</u>
\$ 356,174		\$ 356,174
431,579		431,579
33,234		33,234
541,478		541,478
<u>1,477,971</u>	<u>\$89,162</u>	<u>1,567,133</u>
<u>\$2,840,436</u>	<u>\$89,162</u>	<u>\$2,929,598</u>

See Notes to Financial Statements



CITY OF MILFORD  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND  
CHANGES IN CASH BALANCES  
GOVERNMENTAL FUNDS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010

		Special Revenue	
		TIF	
	General	Supported Projects	Road Use
RECEIPTS:			
Property tax .....	\$ 922,029		
Other city tax .....	339,434		
Licenses and permits .....	28,047		
Use of money and property .....	15,173	\$ 59	
Intergovernmental .....	226,946		\$243,167
Charges for service .....	4,969		
Miscellaneous .....	87,404		
TOTAL RECEIPTS	<u>1,624,002</u>	<u>59</u>	<u>243,167</u>
DISBURSEMENTS:			
Operating:			
Public safety .....	505,149		
Public works .....	70,917		299,704
Health and social services .....	5,000		
Culture and recreation .....	370,900		
Community and economic development .....	26,426		
General government .....	344,955		
Debt service .....		40,329	
Capital projects .....	89,469	1,733,258	
TOTAL DISBURSEMENTS	<u>1,412,816</u>	<u>1,773,587</u>	<u>299,704</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>211,186</u>	<u>(1,773,528)</u>	<u>(56,537)</u>
OTHER FINANCING SOURCES (USES):			
Bond proceeds .....		1,700,000	
Operating transfers in .....	181,096		109,096
Operating transfers out .....	(209,096)		
TOTAL OTHER FINANCING SOURCES (USES)	<u>(28,000)</u>	<u>1,700,000</u>	<u>109,096</u>
NET CHANGE IN CASH BALANCES	183,186	(73,528)	52,559
CASH BALANCES BEGINNING OF YEAR .....	<u>1,294,785</u>	<u>429,702</u>	<u>(19,325)</u>
CASH BALANCES END OF YEAR	<u>\$1,477,971</u>	<u>\$ 356,174</u>	<u>\$ 33,234</u>
CASH BASIS FUND BALANCES:			
Reserved for debt service .....			
Unreserved:			
General fund .....	\$1,477,971		
Special revenue funds .....		\$ 356,174	\$ 33,234
Capital projects fund .....			
TOTAL CASH BASIS FUND BALANCES	<u>\$1,477,971</u>	<u>\$ 356,174</u>	<u>\$ 33,234</u>

See Notes to Financial Statements

## Exhibit B

<u>Capital Projects</u>	<u>Debt Service</u>	<u>Nonmajor</u>	<u>Total</u>
	\$305,231	\$133,445	\$1,360,705
		25,000	364,434
			28,047
\$ 2,953	4,939	78	23,202
			470,113
			4,969
			87,404
<u>2,953</u>	<u>310,170</u>	<u>158,523</u>	<u>2,338,874</u>
			505,149
			370,621
			5,000
			370,900
			26,426
			344,955
203,261	126,357		369,947
<u>1,565,284</u>		<u>113,416</u>	<u>3,501,427</u>
<u>1,768,545</u>	<u>126,357</u>	<u>113,416</u>	<u>5,494,425</u>
<u>(1,765,592)</u>	<u>183,813</u>	<u>45,107</u>	<u>(3,155,551)</u>
550,000			2,250,000
100,000			390,192
<u>(50,350)</u>		<u>(130,746)</u>	<u>(390,192)</u>
<u>599,650</u>		<u>(130,746)</u>	<u>2,250,000</u>
(1,165,942)	183,813	(85,639)	(905,551)
<u>1,687,519</u>	<u>247,766</u>	<u>105,540</u>	<u>3,745,987</u>
<u>\$ 521,577</u>	<u>\$431,579</u>	<u>\$ 19,901</u>	<u>\$2,840,436</u>
	\$431,579		\$ 431,579
			1,477,971
		\$ 19,901	409,309
<u>\$ 521,577</u>			<u>521,577</u>
<u>\$ 521,577</u>	<u>\$431,579</u>	<u>\$ 19,901</u>	<u>\$2,840,436</u>

See Notes to Financial Statements

## Exhibit C

CITY OF MILFORD  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND  
CHANGES IN CASH BALANCES  
PROPRIETARY FUNDS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010

	<u>Solid Waste</u>	<u>Sewer</u>	<u>Total</u>
OPERATING RECEIPTS:			
Charges for service .....	\$261,613	\$104,807	\$366,420
Use of money and property .....	51	38	89
Miscellaneous .....	<u>12,655</u>	<u>540</u>	<u>13,195</u>
TOTAL OPERATING RECEIPTS	<u>274,319</u>	<u>105,385</u>	<u>379,704</u>
OPERATING DISBURSEMENTS:			
Business type activities .....	<u>245,674</u>	<u>95,489</u>	<u>341,163</u>
TOTAL OPERATING DISBURSEMENTS	<u>245,674</u>	<u>95,489</u>	<u>341,163</u>
EXCESS OF OPERATING RECEIPTS OVER OPERATING DISBURSEMENTS	28,645	9,896	38,541
CASH BALANCES BEGINNING OF YEAR .....	<u>23,787</u>	<u>26,834</u>	<u>50,621</u>
CASH BALANCES END OF YEAR	<u>\$ 52,432</u>	<u>\$ 36,730</u>	<u>\$ 89,162</u>
CASH BASIS FUND BALANCES:			
Unreserved .....	<u>\$ 52,432</u>	<u>\$ 36,730</u>	<u>\$ 89,162</u>
TOTAL CASH BASIS FUND BALANCES	<u>\$ 52,432</u>	<u>\$ 36,730</u>	<u>\$ 89,162</u>

CITY OF MILFORD  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND  
CHANGES IN CASH BALANCE  
FIDUCIARY FUND  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010

	Agency Fund
RECEIPTS:	
Additions .....	\$ 250
Interest .....	<u>16</u>
TOTAL RECEIPTS	<u>266</u>
DISBURSEMENTS:	
Deductions .....	<u>6,540</u>
TOTAL DISBURSEMENTS	<u>6,540</u>
DEFICIENCY OF RECEIPTS UNDER DISBURSEMENTS	(6,274)
CASH BALANCE BEGINNING OF YEAR	<u>6,274</u>
CASH BALANCE END OF YEAR	<u>\$</u>

## NOTES TO FINANCIAL STATEMENTS

CITY OF MILFORD  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2010

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Milford, Iowa is a political subdivision of the State of Iowa located in Dickinson County. It was first incorporated in 1892 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and City Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides solid waste and sewer utilities for its citizens.

**A. Reporting Entity**

For financial reporting purposes, the City has included all funds, organizations, agencies, boards, commissions and authorities. These financial statements present the primary government of the City of Milford but do not include any component units for which it is financially accountable.

The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

Milford Municipal Utilities is considered a component unit of the City of Milford. The financial statements of this component unit are audited separately and are presented on the accrual basis of accounting. Complete financial statements of Milford Municipal Utilities can be obtained from their administrative offices. Therefore, the City has elected not to include Milford Municipal Utilities in these financial statements.

Jointly Governed Organizations

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Dickinson County Assessor's Conference Board, Upper Des Moines Opportunity Board, Dickinson County Emergency Management Commission, Dickinson County Water Quality Commission, Dickinson County Joint E911 Service Board, and Dickinson County Sanitary Landfill Commission.

**B. Basis of Presentation**

Government-wide Financial Statement - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the primary government of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

CITY OF MILFORD  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2010

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

*Expendable restricted net assets* results when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets not meeting the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions, and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds, proprietary funds and a fiduciary fund. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The TIF Supported Projects Fund is used to account for projects financed by tax increment financing.

The Road Use Fund is used to account for road construction and maintenance.

The Capital Projects Funds account for bond proceeds to be used for construction of major capital facilities.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general obligation long-term debt.

CITY OF MILFORD  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2010

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

Additionally, the City reports the following major proprietary funds:

The Solid Waste Fund accounts for the operation and maintenance of the City's solid waste utility.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

**C. Measurement Focus and Basis of Accounting**

The City of Milford maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

The City has evaluated subsequent events through the date of the auditors' report, which is the date the financial statements were available to be issued.

**D. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, disbursements exceeded the amounts budgeted in the debt service function.

**2. CASH AND POOLED INVESTMENTS**

The City's deposits in banks at June 30, 2010 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.



CITY OF MILFORD  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2010

**2. CASH AND POOLED INVESTMENTS - Continued**

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

**3. BOND PAYABLE**

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 250,000	\$ 173,428	\$ 423,428
2012	300,000	164,921	464,921
2013	300,000	156,421	456,421
2014	320,000	147,422	467,422
2015	320,000	137,820	457,820
2016-2020	1,800,000	525,736	2,325,736
2021-2025	635,000	272,633	907,633
2026-2029	<u>855,000</u>	<u>116,050</u>	<u>971,050</u>
Totals	<u>\$4,780,000</u>	<u>\$1,694,431</u>	<u>\$6,474,431</u>

The Code of Iowa requires principal and interest on general obligation bonds be paid from the Debt Service Fund.

**4. PENSION AND RETIREMENT BENEFITS**

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, IA 50306-9117.

Most regular plan members are required to contribute 4.30% of their annual covered salary and the City is required to contribute 6.65% of annual covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2010, 2009, and 2008, were \$52,121, \$46,164, and \$42,258, respectively, equal to the required contributions for each year.

CITY OF MILFORD  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2010

**5. OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

Plan Description - The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 14 active members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Central States Southeast and Southwest. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member weekly premiums for the City and plan members are \$213 for both single and family coverage. The same weekly premiums apply to retirees. For the year ended June 30, 2010, the City contributed \$131,492 and plan members eligible for benefits contributed \$11,640 to the plan.

**6. COMPENSATED ABSENCES**

City employees accumulate a limited amount of earned but unused vacation, sick leave and compensatory time for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation, sick leave and compensatory time payments payable to employees at June 30, 2010, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation .....	\$28,300
Sick leave.....	49,400
Compensatory time .....	<u>9,300</u>
Total	<u>\$87,000</u>

The liability for compensated absences has been computed based on rates of pay in effect at June 30, 2010.

CITY OF MILFORD  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2010

**7. INTERFUND TRANSFERS**

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

<u>Transfer to</u>	<u>Amount</u>	<u>Transfer from</u>	<u>Amount</u>
		Capital Projects	\$ 50,350
		Special Revenue:	
		Employee Benefits	<u>130,746</u>
General	<u>\$181,096</u>		<u>181,096</u>
Road Use	109,096		
Capital Projects	<u>100,000</u>		
	<u>209,096</u>	General	<u>209,096</u>
Total	<u>\$390,192</u>	Total	<u>\$390,192</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

**8. RELATED PARTY TRANSACTIONS**

The City had business transactions between the City and City officials totaling \$9,714 during the year ended June 30, 2010.

**9. LOCAL GOVERNMENT RISK POOL**

The City of Milford is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 634 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 200 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

CITY OF MILFORD  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2010

**9. LOCAL GOVERNMENT RISK POOL - Continued**

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City of Milford's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2010 were \$58,628.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by The Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2010, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of the membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City of Milford also carries commercial insurance purchased from other insurers for coverage associated with workers' compensation. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

CITY OF MILFORD  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2010

**10. LITIGATION**

The City is party to routine legal proceedings and litigation arising in the normal course of governmental operations. These legal proceedings are not expected to have a material adverse impact on the City's financial condition.

**11. CONSTRUCTION CONTRACTS**

The City has entered into construction contracts totaling \$4,082,217. As of June 30, 2010, costs of \$3,571,783 have been incurred on the projects. The remaining \$510,434 will be paid as work on the projects progresses. The City intends to pay for these projects from the proceeds of general obligation bonds.

## REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MILFORD  
BUDGETARY COMPARISON SCHEDULE OF  
RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES -  
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS  
AND PROPRIETARY FUNDS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2010

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	<u>Total</u>
RECEIPTS:			
Property tax .....	\$1,360,705		\$1,360,705
Tax increment financing .....			
Other city tax .....	364,434		364,434
Licenses and permits .....	28,047		28,047
Use of money and property .....	23,202	\$ 89	23,291
Intergovernmental .....	470,113		470,113
Charges for service .....	4,969	366,420	371,389
Miscellaneous .....	87,404	13,195	100,599
TOTAL RECEIPTS	<u>2,338,874</u>	<u>379,704</u>	<u>2,718,578</u>
DISBURSEMENTS:			
Public safety .....	505,149		505,149
Public works .....	370,621		370,621
Health and social services .....	5,000		5,000
Culture and recreation .....	370,900		370,900
Community and economic development .....	26,426		26,426
General government .....	344,955		344,955
Debt service .....	369,947		369,947
Capital projects .....	3,501,427		3,501,427
Business type activities .....		341,163	341,163
TOTAL DISBURSEMENTS	<u>5,494,425</u>	<u>341,163</u>	<u>5,835,588</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	(3,155,551)	38,541	(3,117,010)
OTHER FINANCING SOURCES, NET	<u>2,250,000</u>		<u>2,250,000</u>
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES OVER (UNDER) DISBURSEMENTS AND OTHER FINANCING USES	(905,551)	38,541	(867,010)
BALANCES BEGINNING OF YEAR	<u>3,745,987</u>	<u>50,621</u>	<u>3,796,608</u>
BALANCES END OF YEAR	<u>\$2,840,436</u>	<u>\$ 89,162</u>	<u>\$2,929,598</u>

<u>Budgeted Amounts</u>		Final to Total
<u>Original</u>	<u>Final</u>	Variance
		Positive
		(Negative)
\$1,042,651	\$1,042,651	\$ 318,054
123,616	129,488	(129,488)
361,041	361,041	3,393
26,150	26,150	1,897
18,550	18,550	4,741
211,525	211,525	258,588
355,000	355,000	16,389
38,500	38,500	62,099
<u>2,177,033</u>	<u>2,182,905</u>	<u>535,673</u>
589,795	589,795	84,646
326,600	469,388	98,767
6,500	6,500	1,500
406,805	445,320	74,420
169,466	169,466	143,040
338,970	465,669	120,714
	248,849	(121,098)
75,000	4,391,912	890,485
379,400	379,400	38,237
<u>2,292,536</u>	<u>7,166,299</u>	<u>1,330,711</u>
(115,503)	(4,983,394)	1,866,384
<u>          </u>	<u>4,817,727</u>	<u>(2,567,727)</u>
(115,503)	(165,667)	\$ (701,343)
<u>1,588,315</u>	<u>1,588,315</u>	
<u>\$1,472,812</u>	<u>\$1,422,648</u>	



CITY OF MILFORD  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
JUNE 30, 2010

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds, except fiduciary funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$4,873,763. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2010, disbursements exceeded the amount budgeted in the debt service function.

## OTHER SUPPLEMENTARY INFORMATION

CITY OF MILFORD  
 SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS  
 AND CHANGES IN CASH BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 AS OF AND FOR YEAR ENDED JUNE 30, 2010

	<u>Special Revenue</u>			
	<u>Local Option Sales Tax</u>	<u>Employee Benefits</u>	<u>Property Forfeiture</u>	<u>Total</u>
RECEIPTS:				
Property tax .....		\$133,445		\$133,445
Other city tax .....	\$ 25,000			25,000
Use of money and property .....	78			78
TOTAL RECEIPTS .....	<u>25,078</u>	<u>133,445</u>		<u>158,523</u>
DISBURSEMENTS:				
Capital Projects .....	<u>113,416</u>			<u>113,416</u>
TOTAL DISBURSEMENTS .....	<u>113,416</u>			<u>113,416</u>
EXCESS(DEFICIENCY) OF RECEIPTS OVER(UNDER) DISBURSEMENTS .....	(88,338)	133,445		45,107
OTHER FINANCING USES:				
Operating transfers out .....		<u>(130,746)</u>		<u>(130,746)</u>
NET CHANGE IN CASH BALANCES	(88,338)	2,699		(85,639)
CASH BALANCES BEGINNING OF YEAR	<u>101,600</u>	<u>2,868</u>	<u>\$1,072</u>	<u>105,540</u>
CASH BALANCES END OF YEAR	<u>\$ 13,262</u>	<u>\$ 5,567</u>	<u>\$1,072</u>	<u>\$ 19,901</u>
CASH BASIS FUND BALANCES:				
Unreserved:				
Special revenue funds .....	<u>\$ 13,262</u>	<u>\$ 5,567</u>	<u>\$1,072</u>	<u>\$ 19,901</u>
TOTAL CASH BASIS FUND BALANCES	<u>\$ 13,262</u>	<u>\$ 5,567</u>	<u>\$1,072</u>	<u>\$ 19,901</u>

CITY OF MILFORD  
SCHEDULE OF INDEBTEDNESS  
YEAR ENDED JUNE 30, 2010

<u>General Obligation Bonds</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
Fire station construction	June 1, 2009	2.50% - 4.75%	\$2,630,000
Street improvements	September 1, 2009	3.00% - 3.60%	1,700,000
Street improvements	May 1, 2010	3.00% - 4.00%	550,000

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>
\$2,630,000		\$100,000	\$2,530,000	\$102,961
	\$1,700,000		1,700,000	40,029
<u>                    </u>	<u>550,000</u>	<u>                    </u>	<u>550,000</u>	<u>                    </u>
<u>\$2,630,000</u>	<u>\$2,250,000</u>	<u>\$100,000</u>	<u>\$4,780,000</u>	<u>\$142,990</u>

CITY OF MILFORD  
GENERAL OBLIGATION BOND MATURITIES  
JUNE 30, 2010

Year Ending June 30,	<u>Fire Station Construction</u> <u>Issued June 1, 2009</u>		<u>Street Improvements</u> <u>Issued September 1, 2009</u>	
	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>
2011	2.500%	\$ 100,000	3.00%	\$ 150,000
2012	2.500	100,000	3.00	155,000
2013	3.000	100,000	3.00	155,000
2014	3.000	105,000	3.00	165,000
2015	3.125	105,000	3.00	165,000
2016	3.250	110,000	3.00	170,000
2017	4.000	115,000	3.00	175,000
2018	4.000	120,000	3.25	185,000
2019	4.000	125,000	3.40	185,000
2020	4.000	125,000	3.60	195,000
2021				
2022	4.000	275,000		
2024	4.150	295,000		
2026	4.500	320,000		
2029	4.750	<u>535,000</u>		
Total		<u>\$2,530,000</u>		<u>\$1,700,000</u>

<u>Street Improvements</u>		
<u>Issued June 1, 2010</u>		
Interest		
<u>Rates</u>	<u>Amount</u>	<u>Total</u>
		\$ 250,000
3.00%	\$ 45,000	300,000
3.00	45,000	300,000
3.00	50,000	320,000
3.00	50,000	320,000
3.00	55,000	335,000
3.00	55,000	345,000
3.25	60,000	365,000
3.50	60,000	370,000
3.75	65,000	385,000
4.00	65,000	65,000
		275,000
		295,000
		320,000
		<u>535,000</u>
	<u>\$550,000</u>	<u>\$4,780,000</u>

CITY OF MILFORD  
SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION  
ALL GOVERNMENTAL FUNDS  
FOR THE LAST TEN YEARS

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
RECEIPTS:				
Property tax .....	\$1,360,705	\$1,243,888	\$1,012,195	\$ 854,348
Tax increment financing .....			6,506	439,576
Other city tax .....	364,434	403,048	397,976	452,801
Licenses and permits .....	28,047	34,684	40,039	35,620
Use of money and property .....	23,202	26,436	82,748	122,466
Intergovernmental .....	470,113	338,920	288,998	297,225
Charges for service .....	4,969	5,114	4,831	41,218
Miscellaneous .....	<u>87,404</u>	<u>73,829</u>	<u>77,168</u>	<u>57,989</u>
 TOTAL REVENUES	 <u>\$2,338,874</u>	 <u>\$2,125,919</u>	 <u>\$1,910,461</u>	 <u>\$2,301,243</u>
 DISBURSEMENTS:				
Operating:				
Public safety .....	\$ 505,149	\$1,280,653	\$ 451,851	\$ 439,550
Public works .....	370,621	338,493	265,510	405,658
Health and social services .....	5,000	1,000	1,000	2,000
Culture and recreation .....	370,900	464,420	360,011	315,669
Community and economic development .....	26,426	29,458	29,218	38,422
General government .....	344,955	303,251	285,685	296,173
Debt service .....	369,947	107,879	98,788	134,562
Capital projects .....	<u>3,501,427</u>	<u>538,593</u>	<u>524,647</u>	<u>730,810</u>
 TOTAL EXPENDITURES	 <u>\$5,494,425</u>	 <u>\$3,063,747</u>	 <u>\$2,016,710</u>	 <u>\$2,362,844</u>



<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
\$ 742,912	\$ 678,423	\$ 688,860	\$ 660,441	\$ 603,928	\$ 563,175
587,556	513,594	467,036	590,144	377,004	304,005
375,046	381,954	336,188	344,448	301,807	296,499
54,283	23,379	40,417	29,082	14,781	19,769
79,898	34,081	20,278	27,523	55,245	75,063
290,803	308,921	309,545	315,028	327,287	298,194
75,373	16,355	74,897	37,246	338,621	34,597
<u>80,549</u>	<u>191,023</u>	<u>36,479</u>	<u>56,459</u>	<u>36,856</u>	<u>26,715</u>
<u>\$2,286,420</u>	<u>\$2,147,730</u>	<u>\$1,973,700</u>	<u>\$2,060,371</u>	<u>\$2,055,529</u>	<u>\$1,618,017</u>
\$ 354,577	\$ 439,934	\$ 570,181	\$ 343,782		
407,159	327,265	373,108	216,472		
2,100	3,511	1,000	12,736		
286,487	233,151	247,327	221,370		
71,418	62,476	75,296	39,188		
317,285	271,992	289,622	215,694		
159,643	271,401	217,665	225,759		
<u>45,126</u>	<u>122,584</u>	<u>117,238</u>	<u>1,024,254</u>		
<u>\$1,643,795</u>	<u>\$1,732,314</u>	<u>\$1,891,437</u>	<u>\$2,299,255</u>	*	*

\* Information not available.

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INDEPENDENT AUDITORS' REPORT  
ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the primary government of the City of Milford, Iowa as of and for the year ended June 30, 2010, which collectively comprise the basic financial statements of the City's primary government as listed in the table of contents, and have issued our report thereon dated November 10, 2010. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Milford's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Milford's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of City of Milford's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of City of Milford's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-A-10 and I-B-10 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-C-10 to be a significant deficiency.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the primary government of the City of Milford are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the primary government of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Milford's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit City of Milford's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Milford and other parties to whom the City of Milford may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Milford during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Wenthu, Stone & Co., LLP*

November 10, 2010

CITY OF MILFORD  
SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2010

**Part I: Findings Related to the Financial Statements**

**INTERNAL CONTROL DEFICIENCIES:**

- I-A-10 Segregation of Duties - One important aspect of internal control over financial reporting is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted employees were performing incompatible functions.

Recommendation - We realize that it is difficult to appropriately segregate duties when the number of employees is limited. Therefore, we recommend the Council maintain its diligence in the review of the financial records.

Response - We will continue our review.

Conclusion - Response accepted.

- I-B-10 Financial Institution Accounts Not Reflected in City Financial Records - During our audit, we noted two financial institution accounts from which expenditures are made without approval by the City Council. The City did not receive the bank statements or any other type of financial reporting for these accounts and did not include the activity or balances of the accounts in its monthly financial reports. During the year ended June 30, 2010 one of these accounts was closed. The balance and activity of this account are reflected as an agency fund on page 9. We noted the other account had only insignificant activity throughout the year.

Recommendation - We recommend the City Council approve all expenditures from these accounts. Statements for the accounts should be delivered to City offices and activity and balances in the accounts should be reflected in City financial records.

Response - The balance in the remaining account is expected to be transferred to other City accounts during fiscal year 2011.

Conclusion - Response acknowledged.

- I-C-10 Payments to Fire and Rescue Members - Members of the fire and rescue department receive payments for responding to emergency calls. These payments are not reported to the appropriate taxing authorities as required by law.

Recommendation - We recommend the City account for all payments to individuals and report the payments on forms W-2 or forms 1099 as appropriate and required by law.

Response - The City will make every effort to comply. The 2011 calendar year expenditures to fire and rescue members will be reported on forms W-2 issued in compliance with the IRS regulations.

Conclusion - Response accepted.

CITY OF MILFORD  
SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2010

**Part I: Findings Related to the Financial Statements** - Continued

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

CITY OF MILFORD  
SCHEDULE OF FINDINGS - Continued  
YEAR ENDED JUNE 30, 2010

**Part II: Other Findings Related to Required Statutory Reporting**

- II-A-10 Certified Budget - Disbursements exceeded the amount budgeted in the debt service function. Additionally, disbursements in the capital projects and debt service functions exceeded the original budgeted amounts before the budget was amended. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The budget will be amended in the future, if applicable.

Conclusion - Response accepted.

- II-B-10 Questionable Disbursements - We noted no expenditures for parties, banquets, or other entertainment for employees that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

- II-C-10 Travel Expense - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

- II-D-10 Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Virgil Wahlman, Mayor, Owner of Marvil, Inc.	Developer agreement payment	\$9,714

This transaction does not appear to represent a conflict of interest as defined by Chapter 362.5 of the Code of Iowa as there was a signed developer rebate agreement related to this expenditure.

- II-E-10 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

CITY OF MILFORD  
SCHEDULE OF FINDINGS - Continued  
FOR THE YEAR ENDED JUNE 30, 2010

**Part II: Other Findings Related to Required Statutory Reporting** - Continued

II-F-10 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

II-G-10 Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

II-H-10 Payment of General Obligation Bonds - Certain general obligation bonds were paid from the Special Revenue, TIF Supported Projects and Capital Projects Funds. Chapter 384.4 of the Code of Iowa states, in part "Moneys pledged or available to service general obligation bonds, and received from sources other than property tax, must be deposited in the debt service fund."

Recommendation - The City should transfer from the Special Revenue, TIF Supported Projects and Capital Projects Funds to the Debt Service Fund for future funding contributions. Payment of the bonds should then be disbursed from the Debt Service Fund.

Response - We will transfer in the future as recommended.

Conclusion - Response accepted.